



U.S. House of Representatives
Washington, DC 20515

FISCAL YEAR 2007
CBC ALTERNATIVE BUDGET BREAKDOWN

- Working off the Chairman's Mark, As Amended, all calculations are for changes above/below proposed Fiscal Year 2007 levels.
- The CBC Budget does not assume any new tax cuts.

I. Revenue Raisers and Defense Reallocation (in billions):

CBC FY07 Budget Revenue Raisers (dollars in billions)					
	FY07	FY08	FY09	FY10	FY11
NON DEFENSE (allocated to domestic needs and deficit reduction)					
Rescind tax cuts for an individual's adjusted gross income that exceeds 200,000 (rolling back tax cuts to pre-2001 level for incomes over 200,000).	24.5	25.5	27.6	28.9	30.5
Eliminate corporate tax incentives for off-shoring jobs	10.0	10.0	10.0	10.0	10.0
Close corporate tax loopholes, abusive shelters, and methods of tax avoidance	2.0	2.0	2.0	2.0	2.0
Eliminate the repeal of PEP and PEASE	3.2	6.1	7.1	10.0	11.4
Revaluation of LIFO inventories of large integrated oil companies (one year only)	3.5	--	--	--	--
Closing the tax gap (non-corporate avoidance and collection; includes individuals and small businesses) (We must allocate \$305 million/year to the IRS in order to yield this revenue raiser of \$9.5 billion/year.)	9.5	9.5	9.5	9.5	9.5
Modification of individual estimated tax safe-harbor from 110% to 120% for tax year 2007 (one year only)	5.0	--	--	--	--
NON DEFENSE SUBTOTAL	57.7				
DEFENSE (reallocated within a greater defense umbrella to defense,					

homeland security and veterans benefits)					
Reduction of ballistic missile defense in FY07 only	9.4				
DEFENSE SUBTOTAL	9.4				
ADOPT PAYGO AS HOUSE RULE	--	--	--	--	--
REQUIRE REPORT TO CONGRESS BY DOD	--	--	--	--	--
TOTAL	67.1				
AMOUNT APPLIED TO DEFICIT REDUCTION IN FY07	\$396,012,234				

CBC FY07 Offsets (dollars in billions)					
	FY07	FY08	FY09	FY10	FY11
Eliminate Medicare Stabilization Fund (HMO slush fund), require payment to HMOs at Fee For Service (FFS) rates, and cancel Indirect Medical Education (IME) double payment (all funds to be reallocated to other programs/needs within the Medicare function, including assistance to the elderly in navigating and signing up for the appropriate prescription drug program)	4.1	4.7	5.2	5.6	6.7

CBC FY07 Addresses Issues of Waste, Fraud and Abuse (dollars in billions)					
	FY07	FY08	FY09	FY10	FY11
Include in reallocation to defense an amount to DoD to be used to enact GAO recommendations to improve DoD business practices and thereby yield significant financial benefits and savings within the Department (estimated savings of approximately \$8 billion per year)	--	--	--	--	--

Explanation of General Revenue Raisers:

- **Rescind tax cuts for an individual's adjusted gross income in excess of \$200,000**
 - **Revenue Effect: +\$24.5 billion in FY07, +\$137 billion over 5 years**
 - The tax cuts enacted in 2001 and 2003 disproportionately benefit the wealthiest Americans with 46.8% of the tax benefits proposed in the President's FY07 budget proposal—largely extensions of the 2001 and 2003 tax cuts—benefiting 4.1% of taxpayers.

- The CBC budget would rescind those tax cuts and restore the more fiscally responsible tax rates that were in place in 2001 and throughout much of the economic boom of the 1990s.
- **Eliminate corporate tax incentives for off-shoring jobs**
 - **Revenue Effect: +\$10 billion in FY07, +\$50 billion over 5 years**
 - The tax code has a number of preferences that directly or indirectly induce American businesses to relocate operations and jobs overseas.
 - The CBC budget would eliminate those preferences and restore balance to our international tax regime that encourages job retention and creation in the United States.
- **Close corporate tax loopholes, abusive shelters, and methods of tax avoidance**
 - **Revenue Effect: +\$2 billion in FY07, +\$10 billion over 5 years**
 - The tax code is riddled with provisions that have been interpreted by the IRS, accountants, and tax practitioners to permit tax avoidance schemes never contemplated or intended by Congress.
 - The CBC budget would clean up the Code, provide clarity on the intent behind the provisions in question, and close loopholes, abusive tax shelters, and other methods of tax avoidance.
- **Eliminate the repeal of PEP and PEASE**
 - **Revenue Effect: +\$3.2 billion in FY07, +\$37.8 billion over 5 years**
 - The CBC budget would restore two provisions enacted as part of the first President Bush's deficit reduction plan. The provisions—known as PEP, for Personal Exemption Phaseout, and Pease, for its author, the late Rep. Donald J. Pease (D-Ohio)—essentially make more income of wealthy Americans subject to taxation.
 - They begin to phase in this year unless Congress acts. 97% of the cuts resulting from the repeal of PEP/Pease will go to the 4.1% of U.S. households with incomes greater than \$200,000; 54% to the 0.2 percent of households with annual incomes of more than \$1 million. During the first 10 years they are fully in effect, they will reduce government tax revenue by close to \$200 billion, including interest, and possibly much more if, as the Administration has promised, there are further adjustments to the alternative minimum tax (which would otherwise recapture some of taxpayers' savings from these breaks).
 - When PEP and Pease, the tax cuts that start this year, are phased in, those making over \$1 million will receive \$19,234 a year; \$500,000 to \$1 million, \$4,000 a year; taxpayers making under \$75,000, zero.
- **Revaluation of LIFO Inventories of Large Integrated Oil Companies**
 - **Revenue Effect: +\$3.5 billion in FY07, +\$4.3 billion over 5 years**
 - Under current law, businesses are generally permitted to use a last-in, first-out (LIFO) method to account for their inventories, provided they use the same accounting method for other reporting purposes. When prices are rising (as with oil

prices in recent months), the LIFO method generally reduces the business' income and its tax liability.

- The CBC budget would disallow, in effect, 75 percent of the LIFO-method benefit for integrated oil companies with gross receipts in excess of \$1 billion and which have an average daily worldwide production of crude oil of at least 500,000 barrels for the taxable year. The proposal would be effective for the most recent taxable year of relevant taxpayers ending in 2006.
- The provision was included in the Senate-passed tax reconciliation bill.

➤ **Closing the tax gap**

- **Revenue Effect: +\$9.5 billion in FY07, +\$47.5 billion over 5 years**
- A recent analysis by the IRS suggests that the U.S. government collects around \$345 billion less than is owed to it annually. Most of this tax gap results from underreporting of income and failure to collect reported tax obligations. This amounts to a 16% noncompliance rate.
- Further exacerbating the IRS' efforts to close the tax gap is insufficient funding of its enforcement apparatus, which makes it difficult to collect even known tax debts, not even taking account of tax cheats.
- The National Treasury Employees Union has estimated that \$31 in lost tax revenue can be collected for every \$1 invested in the IRS enforcement and collections apparatus.
- The CBC budget would invest \$305 million in the IRS enforcement and collections account with a net return to the federal fisc of \$9.5 billion annually.

➤ **Individual Estimated Tax Safe Harbor**

- **Revenue Effect: +\$5.0 billion in FY07, negligible revenue effect over 5 years**
- An individual generally is not subject to penalties if the taxpayer makes timely—most likely quarterly—estimated tax payments equal to the lesser of: (i) 90% of the tax shown on the current year return or (ii) 100% of the prior year's tax. For taxpayers with a prior year's AGI above \$150,000, however, the rule that allows payment of only 100% of prior year's tax is modified to 110%.
- The CBC budget proposal would increase that amount for estimated payments made for taxable year 2006 and thereafter to 120% of prior year's tax for taxpayers with AGI in excess of \$150,000.
- Some have suggested that this may appear unfair because it seems that the federal government is skimming the interest from mandated excess tax payments to pay for other things; however, the standard withholding tables that mandate what every working American pays out of his/her paycheck from month-to-month have precisely the same effect. This would merely impose a slightly more aggressive withholding schedule, in effect, for high income individuals.
- Aside from interest loss to individuals, this is not a tax increase; it has no effect on tax rates at all.
- This provision was enacted by the Senate as a revenue offset during reconciliation.

Medicare Offset:

- **Reallocate resources within Medicare to better serve beneficiaries**
 - **Offset Value: +\$4.1 billion in FY07, +\$26.3 billion over 5 years**
 - Eliminate Medicare "Stabilization" Fund (slush fund) -- The 2003 prescription drug law established a >\$10 billion fund, which starts in 2007, to increase private plan participation in Medicare; this proposal would repeal the fund.
 - Require Medicare to pay HMOs at Fee-For-Service (FFS) rates -- Medicare currently pays HMOs and other private plans far more than would be paid under the traditional FFS Medicare program; this proposal would eliminate the formula-driven overpayments and pay plans 100% of FFS rates.
 - Cancel Indirect Medical Education (IME) double payment -- Teaching hospitals receive IME payments from Medicare to cover a portion of the costs attributable to training medical interns and residents; the 2003 law instituted an IME payment for HMOs and other private plans, even though they do not engage in any teaching activities. It was simply a subtle way to further increase private plan payments. This proposal would eliminate the plan IME payments; note that it does not affect the IME payments that are currently paid to teaching hospitals.

Deficit Reduction:

- **The CBC budget applies \$396,012,234 out of the general revenue to deficit reduction in Fiscal Year 2007**

Explanation of Defense Reallocation:

- **Reduce funding for Ballistic Missile Defense in FY07 only**
 - **Revenue Effect: +\$9.4 billion in FY07**
 - The cost of the Ballistic Missile Defense program is \$10.4 billion in Fiscal Year 2007. The CBC budget leaves \$1 billion in that program for research and development.
 - All of the funds reduced from that program are then reallocated to additional support for the troops in Iraq and other defense items necessary to maintain our military strength and jobs, homeland security needs, and veterans programs and benefits.
 - \$290,600,000 has been specifically reallocated to the Department of Defense in order to implement GAO recommendations for improvement that will produce tremendous cost savings within the Department. Between 2001 and 2005, GAO provided DoD with 2153 recommendations, many related to improving their business practices. To date, DoD has implemented 604 recommendations and closed 96 recommendations without implementation. GAO estimates that the 604 implemented recommendations have yielded DoD a savings of \$40.8 billion between FY01-FY05. The CBC is reallocating \$290,600,000 to DoD to use in the implementation of the remaining 1453 recommendations (\$200,000/recommendation). DoD is required to report to Congress within 90 days to demonstrate implementation of each recommendation or show cause why such recommendation cannot be implemented.

Adoption of PAYGO:

➤ **The CBC Budget Alternative adopts the PAYGO rule**

- The PAYGO (Pay-As-You-Go) rule requires that all tax cuts, new entitlement programs or expansions of existing entitlement programs be budget-neutral -- offset either by additional taxes or cuts in existing entitlement programs.
- PAYGO cannot be reinstated as **Law** in a budget resolution, however, it can be adopted as a **House Rule**.

Report by the Department of Defense:

➤ **The Department of Defense is required to report to Congress within 90 days regarding the implementation of GAO recommendations**

- \$290,600,000 has been specifically reallocated to the Department of Defense in order to implement GAO recommendations for improvement that will produce tremendous cost savings within the Department. Between 2001 and 2005, GAO provided DoD with 2153 recommendations, many related to improving their business practices. To date, DoD has implemented 604 recommendations and closed 96 recommendations without implementation. GAO estimates that the 604 implemented recommendations have yielded DoD a savings of \$40.8 billion between FY01-FY05. The CBC is reallocating \$290,600,000 to DoD to use in the implementation of the remaining 1453 recommendations (\$200,000/recommendation). DoD is required to report to Congress within 90 days to demonstrate implementation of each recommendation or show cause why such recommendation cannot be implemented.

II. Programs (General): \$57.7 billion in FY07

All functions except Function 050 (National Defense), Function 700 (Veterans), and Function 920 (Allowances – all for the purpose of Homeland Security). **All calculations are for changes above/below proposed Fiscal Year 2007 levels included in the Chairman's Mark.**

<u>Function 150 – International Affairs</u>	<u>+\$2.3 billion</u>
<i>Foreign Aid to Africa and the Western Hemisphere, Including Peacekeeping Forces</i>	<i>\$800 million</i>
<i>Global Child Survival and Health</i>	<i>\$300 million</i>
<i>Global Development Assistance</i>	<i>\$100 million</i>
<i>Global Economic Support Funds</i>	<i>\$100 million</i>
<i>Global AIDS Initiative/State Department</i>	<i>\$600 million</i>
<i>Public Health and Preventable Illness Initiatives</i>	<i>\$250 million</i>
<i>International Family Planning Programs</i>	<i>\$100 million</i>
<i>UNFPA</i>	<i>\$50 million</i>
<u>Function 250 – General Science, Space, and Technology</u>	<u>+\$500 million</u>

NASA	\$300 million
<i>Including Research and Development, Space Shuttle safety and Aeronautics</i>	
R & D funding for the NSF, DOE and NIST	\$170 million
NOAA Funding	\$30 million
<u>Function 270 – Energy</u>	<u>+\$431 million</u>
<i>Grant program to automobile manufacturers for domestic production of hybrid technology</i>	\$50 million
<i>Increase DOE Weatherization Program</i>	\$231 million
<i>Office of Energy Efficiency and Renewable Energy, research for corn based ethanol</i>	\$150 million
<u>Function 300 – Natural Resources and Environment</u>	<u>+\$1.0237 billion</u>
<i>Army Corps of Engineers (emphasis on Katrina/Rita related projects)</i>	\$1 billion
<i>Historically Black Colleges and Universities Historic Preservation Program</i>	\$3.5 million
<i>Office of Environmental Justice</i>	\$12.7 million
<i>Construction of Smithsonian African American Museum</i>	\$7.5 million
<u>Function 350 – Agriculture</u>	<u>+\$2.673 billion</u>
<i>Nutrition and Food Programs</i>	\$2 billion
<i>Commodity Supplemental Food Program (CSFP)</i>	\$160 million
<i>Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)</i>	\$188 million
<i>1890 Land-grant Historically Black Colleges and Universities</i>	\$75 million
<i>Expanded Food and Nutrition Education Program</i>	\$100 million
<i>USDA Office of Civil Rights</i>	\$50 million
<i>Agriculture programs that affect minorities and socially disadvantaged farmers</i>	\$100 million
<u>Function 370 – Commerce and Housing Credit</u>	<u>+\$1.5 billion</u>
<i>SBA Loan Programs – 7(a), Microloan, PRIME, New Market Venture</i>	\$225 million
<i>Adult training and dislocated workers program</i>	\$212 million
<i>Manufacturing Extension Partnership</i>	\$60 million
<i>Home Ownership Initiatives</i>	\$1 billion
<i>Women’s Business Center (WBC) Program</i>	\$3 million
<u>Function 400 – Transportation</u>	<u>+\$1 billion</u>
<i>Amtrak</i>	\$325 million
<i>Public Transportation</i>	\$100 million
<i>Minority Business Resource Center</i>	\$25 million

<i>Airport Improvement Program (AIP)</i>	<i>\$250 million</i>
<i>Coast Guard</i>	<i>\$150 million</i>
<i>Ports, Railroad and Other Infrastructure</i>	<i>\$150 million</i>
<u>Function 450 – Community and Regional Development</u>	<u>+\$2 billion</u>
<i>Community Development Block Grants</i>	<i>\$1.6 billion</i>
<i>Brownfields Economic Development</i>	<i>\$25 million</i>
<i>Empowerment Zones</i>	<i>\$25 million</i>
<i>Community Development Financial Institutions</i>	<i>\$50 million</i>
<i>Economic Development Assistance</i>	<i>\$300 million</i>
<u>Function 500 – Education, Training, Employment and Social Services</u>	<u>+\$32,075,468,766</u>
<i>-Elementary and Secondary-</i>	
<i>School Construction</i>	<i>\$2.5 billion</i>
<i>School Construction Related to BRAC</i>	<i>\$300 million</i>
<i>Full Funding for No Child Left Behind, including:</i>	<i>\$15.41 billion</i>
<i>Title I</i>	
<i>Safe and Drug Free Schools</i>	
<i>21st Century Learning Centers</i>	
<i>Teacher Quality Programs</i>	
<i>Education Technology</i>	
<i>Fund for the Improvement of Education</i>	
<i>English Language Acquisition</i>	
<i>Migrant Education</i>	
<i>Elementary and Secondary School Counseling</i>	<i>\$50 million</i>
<i>Head Start</i>	<i>\$2.214 billion</i>
<i>TRIO</i>	<i>\$520 million</i>
<i>Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up)</i>	<i>\$350 million</i>
<i>Dropout Prevention</i>	<i>\$5 million</i>
<i>Even Start family literacy</i>	<i>\$100 million</i>
<i>Reading First</i>	<i>\$470,766</i>
<i>Impact Aid</i>	<i>\$312.5 million</i>
<i>Science, Technology, Engineering, and Mathematics (STEM) programs</i>	<i>\$150 million</i>
<i>-State Grants for Incarcerated Youth Offenders-</i>	<i>\$23 million</i>
<i>-Higher Education and Financial Aid for College-</i>	
<i>Pell Grants</i>	<i>\$498 million</i>
<i>Perkins Loan College Program</i>	<i>\$100 million</i>
<i>Critical administrative funds for student aid</i>	<i>\$29 million</i>
<i>Perkins Loan forgiveness to teachers, military service members and law enforcement officers</i>	<i>\$65 million</i>
<i>Word Study and Supplemental Education Opportunities Grants (SEOG)</i>	<i>\$229 million</i>
<i>LEAP state college scholarship initiative</i>	<i>\$65 million</i>

<i>Minority science and engineering improvement</i>	<i>\$50 million</i>
<i>Child Care Access Means Parents in School (CCAMPIS)</i>	<i>\$15 million</i>
<i>Historically Black Colleges and Universities (HBCUs)</i>	<i>\$417 million</i>
<i>Hispanic Serving Institutions (HSIs)</i>	<i>\$94 million</i>
<i>-Individuals with Disabilities Education Act (IDEA)-</i>	<i>\$3.302,498 billion</i>
<i>-Arts in Education-</i>	<i>\$50 million</i>
<i>-Vocational Education-</i>	<i>\$1.7 billion</i>
<i>-Adult Education and literacy-</i>	<i>\$420 million</i>
<i>-Job Training for adults and youth-</i>	<i>\$846 million</i>
<i>-Trade Adjustment Assistance (TAA) program, training component-</i>	<i>\$260 million</i>
<i>-Katrina-</i>	
<i>Funding to assist in rebuilding and restoring schools in Gulf Coast</i>	<i>\$1 billion</i>
<i>Funding to assist in rebuilding and restoring colleges in Gulf Coast</i>	<i>\$1 billion</i>
 <u>Function 550 – Health</u>	 <u>+\$5.443 billion</u>
 <i>Reauthorize and fully fund Ryan White CARE Act</i>	 <i>1.0 billion</i>
<i>Minority Health and Eliminating Health Disparities</i>	<i>\$300 million</i>
<i>Community Services Block Grants (CSBG)</i>	<i>\$630 million</i>
<i>Community Health Centers</i>	<i>\$300 million</i>
<i>Office of Minority Health</i>	<i>\$10 million</i>
<i>NIH funding general (including)</i>	<i>\$642 million</i>
<i> Healthy Communities Access Program</i>	
<i> Emergency Medical Services for Children Program</i>	
<i> Universal Newborn Screening Program</i>	
<i>CDC Preventative Health Care Block Grant</i>	<i>\$99 million</i>
<i>Child Care and Development Bock Grant (CCDBG)</i>	<i>\$50 million</i>
<i>Social Services Block Grant (SSBG)</i>	<i>\$500 million</i>
<i>Violence Against Women Act (VAWA)</i>	<i>\$50 million</i>
<i>Chronic Disease prevention and health promotion</i>	<i>\$26 million</i>
<i>Family Planning/Title X</i>	<i>\$10 million</i>
<i>Healthy Start</i>	<i>\$10 million</i>
<i>Minority HIV/AIDS</i>	<i>\$10 million</i>
<i>Substance Abuse and Mental Health Services Act (SAMHSA)</i>	<i>\$71 million</i>
<i>Health Empowerment Zones</i>	<i>\$50 million</i>
<i>Foster Care</i>	<i>\$50 million</i>
<i>Repeal Medicaid cuts and strengthen the program to expand access</i>	<i>\$353 million</i>
<i>Health Resources and Services Administration (HRSA)</i>	<i>\$255 million</i>
<i>Rural Health Activities</i>	<i>\$27 million</i>
<i>Gulf Coast Health Infrastructure</i>	<i>\$1 billion</i>
 <u>Function 570 – Medicare</u>	 <u>+\$700 million</u>
 <i>General Medicare</i>	 <i>\$700 million</i>

Also under function 570, the CBC Budget would eliminate the Medicare Stabilization Fund (HMO slush fund), require payment to HMOs at Fee For Service (FFS) rates, and cancel Indirect Medical Education (IME) double payment, for a total of \$4.7 billion in FY07. All of these funds would be reallocated to other programs/needs within the Medicare function.

Reallocation within the function would include assistance to the elderly in navigating Medicare-D and signing up for the appropriate prescription drug program in an amount of at least \$250 million.

<u>Function 600 – Income Security</u>	<u>+\$4 billion</u>
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<i>Section 8 Housing Program</i>	<i>\$880 million</i>
<i>HOPE VI</i>	<i>\$500 million</i>
<i>Low-Income Home Energy Assistance Program</i>	<i>\$1.0 billion</i>
<i>Child Nutrition Programs</i>	<i>\$200 million</i>
<i>Housing for the Disabled</i>	<i>\$120 million</i>
<i>Housing for the Elderly</i>	<i>\$189 million</i>
<i>Low Income Car Initiative Grant Program</i>	<i>\$50 million</i>
<i>Public Housing Modernization</i>	<i>\$261 million</i>
<i>Rural housing and economic development</i>	<i>\$100 million</i>
<i>Homeless Assistance</i>	<i>\$500 million</i>
<i>HOME Investment Partnerships Program</i>	<i>\$200 million</i>

<u>Function 650 – Social Security</u>	<u>no change</u>
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<u>Function 750 – Administration of Justice</u>	<u>+\$3,157,819,000</u>
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<i>Juvenile Justice (prevention efforts)</i>	<i>\$600 million</i>
<i>Department of Justice Prisoner Reentry Program</i>	<i>\$260 million</i>
<i>Weed and Seed and Drug Elimination Programs</i>	<i>\$100 million</i>
<i>Boys and Girls Clubs</i>	<i>\$25.5 million</i>
<i>Office of Violence Against Women</i>	<i>\$20 million</i>
<i>Civil Rights Division (attorney staffing)</i>	<i>\$20 million</i>
<i>Byrne Discretionary Grants</i>	<i>\$313 million</i>
<i>Byrne Justice Assistance Grants</i>	<i>\$590 million</i>
<i>COPS Law Enforcement Technology Grants</i>	<i>\$47.119 million</i>
<i>Juvenile Accountability Block Grants</i>	<i>\$49 million</i>
<i>Secure Our Schools Act</i>	<i>\$15 million</i>
<i>Juvenile Justice and Delinquency Prevention</i>	<i>\$86 million</i>
<i>Local Law Enforcement Block Grant</i>	<i>\$12 million</i>
<i>Child Support Enforcement</i>	<i>\$500 million</i>
<i>Juvenile Incentive Block Grants</i>	<i>\$24 million</i>
<i>Public Safety and Community Policing Grants</i>	<i>\$137 million</i>
<i>Incentive Grants for Local Delinquency Prevention</i>	<i>\$83 million</i>
<i>Gang Prevention</i>	<i>\$240 million</i>

<i>Residential Substance Abuse Treatment program</i>	<i>\$10 million</i>
<i>Project Safe Neighborhoods</i>	<i>\$10 million</i>
<i>Prison Rape Prevention Programs</i>	<i>\$16.2 million</i>

<u>Function 800 – General Government</u>	<u>+\$500 million</u>
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<i>IRS (for enforcement and collections)</i>	<i>\$305 million</i>
<i>Election Assistance Commission</i>	<i>\$195 million</i>
<i>Including funding for voter participation and protection</i>	

SUBTOTAL	\$57,303,987,766
TOTAL GENERAL	\$57.7 billion
AMOUNT TO BE APPLIED TO DEFICIT REDUCTION IN FY07	\$396,012,234

III. Programs (Defense, Homeland Security and Veterans): \$9.4 billion in FY07

All of the funds reduced from Ballistic Missile Defense are reallocated within various functions to provide for additional support for the troops in Iraq and other defense items necessary to maintain our military strength and jobs (\$2.8456 billion reallocated back to the defense function), homeland security needs (\$2 billion), and veterans programs and benefits (\$4.5544 billion). **All calculations are for changes above/below proposed Fiscal Year 2007 levels included in the Chairman's Mark.**

<u>Function 050 – National Defense</u>	<u>-\$6.5544 billion</u>
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<i>Body armor, personal support equipment, and other protective gear for troops, and vehicle armor</i>	<i>\$175 million</i>
<i>Ammunition for Marine Corps</i>	<i>\$10 million</i>
<i>Small Arms for Army</i>	<i>\$10 million</i>
<i>Building/Maintenance of Navy ships</i>	<i>\$1 billion</i>
<i>(Preference to gulf coast shipyards)</i>	
<i>Increase Army's active-duty personnel by 10,000</i>	<i>\$1 billion</i>
<i>Maintain current National Guard strength at 350,000</i>	<i>\$360 million</i>
<i>To study instances of waste, fraud and abuse within DoD business processes and implement specific GAO recommendations for reform</i>	<i>\$290.6 million</i>

<u>Function 700 – Veterans Benefits and Services</u>	<u>+\$4.5544 billion</u>
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<i>Veterans Health Care, Direct Medical Services, Care for troops returning from Iraq and Afghanistan</i>	<i>\$200 million</i>
<i>Prosthetic needs for Veterans</i>	<i>\$100 million</i>
<i>Mental Health Care for Veterans</i>	<i>\$250 million</i>
<i>Medical and Vocational Rehabilitation</i>	<i>\$15 million</i>
<i>Administrative funds to process disability claims</i>	<i>\$55 million</i>

<i>VA nursing home care</i>	<i>\$300 million</i>
<i>Recruitment to nursing programs</i>	<i>\$10 million</i>
<i>Lift enrollment ban on new Priority 8 Veterans to obtain healthcare</i>	<i>\$300 million</i>
<i>Medical facilities</i>	<i>\$148 million</i>
<i>Construction of projects in the CARES plan</i>	<i>\$200 million</i>
<i>Burial Benefits</i>	<i>\$140 million</i>
<i>Total Force GI bill</i>	<i>\$112 million</i>
<i>Dependence and Indemnity Compensation inflation indexing</i>	<i>\$24 million</i>
<i>VA Homeless Providers Grant and Per Diem Program</i>	<i>\$101 million</i>
<i>Homeless Veterans Reintegration Program</i>	<i>\$28 million</i>
<i>Survivor Benefit Plan</i>	<i>\$400 million</i>
<i>Disabled Veterans Tax [“Concurrent Receipt”]</i>	<i>\$1 billion</i>
<i>Fund long-term care initiatives for veterans</i>	<i>\$400 million</i>
<i>Priority 7 and 8 Veterans</i>	<i>\$200 million</i>
<i>Offset increase to TRICARE health premiums for military retirees</i>	<i>\$571.4 million</i>
<u>Function 920 – Allowances (all for the purpose of Homeland Security)</u>	<u>+\$2 billion</u>
<i>Port Security</i>	<i>\$1 billion</i>
<i>Port Security Grants</i>	
<i>Container Security Initiative</i>	
<i>Procurement of Radiation Portal Monitors</i>	
<i>Establishment of minimum security standards for all cargo containers entering U.S.</i>	
<i>Rail Security</i>	<i>\$100 million</i>
<i>Federal air marshals</i>	<i>\$50 million</i>
<i>Local Law Enforcement and First Responders</i>	<i>\$379 million</i>
<i>(Including interoperable communications systems for first responders)</i>	
<i>First Responder Grants to States</i>	<i>\$421 million</i>
<i>Homeland Security Grants</i>	
<i>Urban Area Security Initiative</i>	
<i>Local Law Enforcement Terrorism Prevention</i>	
<i>Centers for Disease Control</i>	<i>\$50 million</i>
TOTAL DEFENSE FUNDS USED, <u>ALL OF WHICH ARE</u>	\$9.4 billion
REALLOCATED TO DEFENSE, HOMELAND SECURITY	
NEEDS, AND VETERANS PROGRAMS AND BENEFITS	

Bottom Line:

- The CBC alternative budget allocates all the funding referred to above for FY07. These numbers represent funding on top of what is already allocated in the Republican budget for

FY07. The CBC budget also allocates funding (on top of the Republican budget) for almost every function in the out years (FY08-FY11).

- The CBC alternative still manages to balance the budget in FY11 and in fact creates a surplus of \$2.3 billion. The Republican budget deficit in FY11 is still -\$163 billion.
- The CBC budget saves \$10.5 billion on interest on the national debt over the next five years compared to the Republican budget.
- Even with these accomplishments, the CBC budget funds programs that are important to the American people. Over a five year period, compared to the Republican budget the CBC budget spends:
 - \$80 billion more on education, training, employment and social services;
 - \$20 billion more on healthcare;
 - \$6 billion more on community and regional development; and
 - \$20 billion more on veterans benefits and services.
- The CBC budget demonstrates that fiscal responsibility and spending on programs that are important to the American people are not mutually exclusive. The CBC alternative is a sound budget that protects and promotes the best values of America and we invite your support.

Revised: 4-6-06/5:00 p.m.